

BETTY T. YEE, MEMBER STATE BOARD OF EQUALIZATION

Serving the 8.5 million Californians of the First Equalization District,
comprised of 21 counties along the northern and central California
coast, including the entire San Francisco Bay Area.

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QUARTERLY E-NEWSLETTER

Welcome to the Winter 2011 edition of my e-newsletter. With tax filing season upon us, my staff and I have been all hands on deck with providing information and resources to assist taxpayers.

May the 2011 year offer more hope to Californians and their families as the state's economy begins to offer glimmers of recovery. The recovery will be slow, with the unemployment rate likely to remain in the double digits through 2012, thereby prolonging the State's fiscal challenges.

To address a \$25.4 billion shortfall (\$8.2 billion in 2010-11 and \$17.2 billion projected in 2011-12), Governor Jerry Brown proposed a no gimmicks budget that included \$12.5 billion in program cuts; \$12.5 billion in revenues from modifying or ending tax expenditures and extending temporary taxes; and realigning certain program responsibilities from the State to local governments. As of the release of this e-newsletter, Governor Brown and the Legislature have enacted \$14 billion in budget solutions, including \$8 billion in spending cuts. The issue of placing the extension of the temporary taxes before the voters for approval remains unresolved.

Ongoing fiscal constraints demand efficient and cost-effective ways for the BOE to conduct its business serving taxpayers and administering its revenue programs. I am proud to champion increased web-based resources to assist taxpayers, as well as an agency wide initiative --- the Centralized Revenue Opportunity System (CROS) project --- to allow for a more flexible technology system to support the BOE's revenue programs with, among other things, enhanced interface with taxpayers and better use of available data.

Lastly, I was honored to take the oath of office in January to begin my second term representing the First District of the Board of Equalization. I will continue to work hard to ensure California's tax laws are interpreted and applied correctly, fairly, and consistently, and to provide timely and responsive taxpayer service.

Sincerely,

BETTY T. YEE

CALIFORNIA ECONOMIC UPDATE

CALIFORNIA REVENUE UPDATE

Compared to the revenue assumptions forming the basis of the proposed 2011-12 Governor's Budget released in January, total General Fund revenues declined 5.8 percent in March, by \$370 million. However, the largest sources of revenue --- personal income taxes and sales and use taxes --- increased 144.7 percent and 0.5 percent, respectively, compared to estimates in the Governor's Budget.

Revenue figures for March 2011 show the state's economy continues to recover, although the recovery toward pre-recession levels is slow. Year-to-date revenues exceed January estimates by \$941.6 million, with total receipts from the state's three largest tax sources up by \$2.8 billion.



Two of the three largest tax sources for General Fund revenue continue to improve in March. Personal income tax receipts came in \$2.2 billion above January estimates, or 3.9 percent higher, consistent with gains in employment, income, and employee work hours. Sales and use tax collections increased by \$40.6 million, or 0.2 percent, attributable to rising consumer spending and a gradually improving economy.

On the other hand, corporate taxes continue to lag compared to receipts from California's other major tax programs. To date, corporate taxes are down \$615.6 million from projections, or 9.7 percent, despite rising earnings and profits. Overall, the three major sources of revenue show evidence of an improving economy, albeit slow, as some sources of revenue are posting large increases while others are falling behind expectations.

CALIFORNIA EMPLOYMENT DATA

As California and the rest of the nation slowly dig their way out of the deepest recession since the 1930s, stubbornly high unemployment continues to have a negative impact on the overall economy. However, even in this uncertain economic climate, job growth across California has been slow and steady.

The state's unemployment rate in March 2011 is 12 percent, down from 12.4 percent in March 2010. Although this figure suggests a steady increase in job growth, California's unemployment rate remains the second highest in the nation, behind that of Nevada at 13.6 percent.

The national unemployment rate also dropped in March, to 8.8 percent. Since November 2010, that rate has dropped by a full 1 percent. Economists expect this trend to continue as the nation undergoes a slow recovery.

CALIFORNIA TAXABLE SALES DECLINED 5.9% IN FOURTH QUARTER 2009

10TH CONSECUTIVE QUARTER DECLINE FOR TAXABLE SALES IN CALIFORNIA

Taxable sales in California declined 5.9 percent in the fourth quarter of 2009, when compared to the same quarter of 2008.

"While taxable sales in California continued to decline, there was improvement over the previous year," said Board Member Yee. "It's hard to find any Californian who hasn't been adversely affected by the recession -- be it a pay cut, job loss, home foreclosure, or diminished savings -- each a factor in depressed consumer spending."

Taxable sales in California declined for the 10th consecutive quarter. Fourth quarter 2009 taxable sales totaled \$120.4 billion, \$7.5 billion less than the fourth

quarter of 2008 or a decline of 5.9 percent. However, the decline was not as steep as the previous quarter, when taxable sales dropped 15 percent on a year-over-year basis.

Overall, 51 counties in California showed a decline in year-to-year taxable sales, while seven counties had increases. The counties in the San Francisco Bay Area and in the Southern California fared slightly better than counties statewide. Conversely, the taxable sales decline in Central Valley counties continued to exceed the statewide total.

To view all taxable sales in California for the Fourth Quarter of 2009 visit: <http://www.boe.ca.gov/news/2011/7-11-Y.pdf>.

YEAR-OVER-YEAR DECLINE IN Q4 2009 FOR THE 1ST DISTRICT:

Alameda (-5.1%)	Santa Cruz (-4.3%)
Contra Costa (-3.5%)	San Francisco (-6.9%)
Del Norte (-9.4%)	SLO (-10.1%)
Marin (-2.7%)	San Mateo (-4.6%)
Mendocino (-8.0%)	Santa Barbara (-4.7%)
Monterey (-3.3%)	Santa Clara (-4.9%)
Napa (-5.2%)	Solano (-15.0%)
Trinity (-6.7%),	Sonoma (-5.9%)
San Benito (-6.1%)	Yolo (-13.5%)



TAXPAYER SERVICES

LAST MINUTE TIPS FOR CALIFORNIA TAXPAYERS

Monday, April 18 is tax day. The Internal Revenue Service (IRS) and the Franchise Tax Board (FTB) reminded taxpayers to review their tax returns for common errors that could result in delayed refunds. Here are some ways to avoid common tax return errors.

THE INTERNAL REVENUE SERVICE (IRS)

File electronically. Filing electronically, whether through e-file or IRS Free File, vastly reduces the errors in a tax return, as the tax software does the calculations, flags common errors and prompts the taxpayers for missing information.

Mail a paper return to the right address. Paper filers should check the appropriate address where to file on IRS.gov or their form instructions to avoid delays in processing. Fill in all requested information clearly, including Social Security numbers.

Check only one filing status. Also, check the appropriate exemption boxes. When you enter Social Security numbers, make sure they are correct.

Double check all figures. While software catches and prevents many errors on e-file returns, math errors remain common on

paper returns.

Get the right routing and account numbers. Requesting a federal refund directly deposited into one, two or even three accounts is convenient and allows the taxpayer access to his or her money faster. Make sure the financial institution routing and account numbers entered on the return are accurate. Incorrect numbers can cause a refund to be delayed or deposited into the wrong account.

Sign and date the return. If you are filing a joint return, both you and your spouse must sign and date the return. E-filers can sign using a self-selected personal identification number (PIN).

Attach forms to the front of the return. Paper filers need to attach W-2s and other forms that reflect tax withholding, as well as other necessary forms and schedules, to the front of their returns. Those claiming credits that require special documentation,

such as the Homebuyers Credit or the Adoption Credit, are also reminded to include all the suitable records with their returns.

Request a Filing Extension. If you cannot meet the April 18 deadline, requesting a filing extension for your return is easy and will prevent late filing penalties. You can either use Free File or Form 4868. But keep in mind that while an extension will grant you additional time to file, you are still required to pay any taxes owed by April 18.

Do you owe tax? If so, a number of e-payment options are available. Or send a check or money order payable to the "United States Treasury."



FRANCHISE TAX BOARD (FTB)

Fast refunds through e-file. Use e-file and direct deposit to save time and to get your refund fast generally within 7-10 days.

Free online filing in minutes. FTB has two free e-file programs: ReadyReturn is for taxpayers who used the single or head of household filing status the prior year, had one employer, claimed no more than five dependents, and took the standard deduction. ReadyReturn pulls data from wage reports and past tax returns to

generate a completed return online. Most taxpayers completed the process in less than 15 minutes. For more complex filing needs, CalFile is the state's other no-cost, easy-to-use e-file option that is available to more than 6.4 million taxpayers.

Pay your taxes online. If you owe tax, consider using Web Pay to pay your tax return balance due or make an extension or estimate payment. If you make estimated tax payments, be sure to sign up for free automated reminders by email. You can schedule your estimated tax payments up to one year in advance.

Have a question? Try Live Chat. FTB's Live Chat allows you to ask an FTB representative general personal income tax questions and get help with FTB's website. Access Live Chat from FTB's Website under the Contact Us tab.

Check your refund online. If you filed and are expecting a refund, visit FTB's

website and use the Check Your Refund Status tool to see where your refund is. This service is also offered in Spanish.



FTB Franchise Tax Board

Access Your Account. Use MyFTB Account to change your address and get information about your wages, California withholding, estimated tax payments, and more.

Watch for errors if filing a paper return. Double check your math, social security number(s), and the tax from the tax tables. You can also use the Tax Calculator to figure your 2010 tax by using your filing status and taxable income amount.

What to do if you can't file on time. California taxpayers get an automatic extension until October 17 this year to file their tax returns, although taxes owed must be paid by Monday, April 18.



BOE GIVES TAXPAYERS OPTIONS WHILE ON THE GO

The BOE recently launched a new mobile web application for smart phones that will allow taxpayers to conveniently get up-to-date information about BOE services. Accessible from the BOE website at www.boe.ca.gov, the new app will enable taxpayers to find their tax rate using their phone's GPS system or by searching for a city or county. Additionally, the BOE has provided a link to www.geotax.com which hosts an application that will enable taxpayers to find their sales tax rate based on an address. This enables taxpayers and consumers to find the tax rate for any address in the state.



NEW SOUTHERN CALIFORNIA APPEALS AND SETTLEMENT UNIT

A new BOE Appeals and Settlement Unit has been established in southern California. This new unit will assist with the increased caseload of appeals and settlement cases of nearly 33% and 36%, respectively, over two years. The acceleration in resolution of appeal and settlement cases will be a benefit to taxpayers so they may more quickly resolve existing liabilities as they continue to do business.

The BOE will work with business organizations and the public to educate them about the new unit and the appeals and settlement processes.



WEBINAR FOR REGISTERED DOMESTIC PARTNERS AND SAME SEX MARRIED COUPLES

Board Member Yee, in cooperation with Equality California (EQCA) and the National Center for Lesbian Rights (NCLR), hosted a webinar on March 28th to inform taxpayers and tax preparers about the new mandatory federal filing requirements for registered domestic partners and same-sex married couples.

Karen Stogdill, EA; Chris Kollaja, CPA; and Deb L. Kinney, Esq., and representatives from the Franchise Tax Board joined Board Member Yee for a discussion about the recent the Internal Revenue Service (IRS) Chief Counsel Advice issued in June 2010 and subsequent directives clarifying that community property rights are extended to same-sex married couples as well as to registered domestic partners. The IRS is requiring

legally related same-sex couples to split their community property income on 2010 federal returns and allowing those who may benefit to amend their 2007, 2008, and 2009 tax returns.

Ms. Yee said, "I was pleased to host this timely webinar to help taxpayers understand the new IRS rules and requirements so they may file tax returns correctly." To access the webinar, including a copy of the presentation, visit Board Member Yee's website.



EMERGENCY RELIEF

Governor Jerry Brown issued an emergency proclamation for Mendocino and San Luis Obispo counties March 16, following the 8.9 magnitude earthquake off the coast of Japan, which generated a water surge along the California coast causing damage to ports, harbors and infrastructure.

Following the proclamation, Board Member Yee announced that extensions for filing, audits, billing notices, assessments and relief from subsequent penalties are available for those individuals and/or businesses impacted by a water surge along the California coast in the counties of Mendocino and San Luis Obispo.

Relief was previously announced for

Del Norte, Humboldt, San Mateo and Santa Cruz Counties following Governor Brown's state of emergency proclamation on March 11.

Extensions are also available for those individuals and/or businesses in the 19 counties affected by severe rain storms. On April 15, 2011, Governor Jerry Brown declared a State of Emergency in the counties of Alameda, Amador, Butte, Contra Costa, Del Norte, Humboldt, Madera, Mariposa, Mendocino, Monterey, San Luis Obispo, Santa Barbara, Santa Cruz, Sierra, Stanislaus, Sutter, Trinity, Tuolumne, and Ventura to due to a series of severe rain storms which brought high winds, heavy rain, and flooding.

→Relief Available: Emergency relief for taxpayers can include extensions for filing returns or to make payments, relief of interest and penalties, and expediting copies of BOE tax records. Any taxpayer who cannot meet tax filing and payment deadlines due to the disaster may apply. The BOE may also extend these relief provisions to include delays caused by disruption to the U.S. Postal Service or other private mail and freight companies.

→How to Apply: Taxpayers must fill out forms: BOE 468, Request for Extension and/or BOE 27, Penalty and Interest Relief for Disaster Victims. Both forms are available on the BOE website at www.boe.ca.gov. You must also include a statement, signed under penalty of perjury, stating the cause for the late filing – this should include specific information about how the rainstorms impacted your ability to report your taxes on time.

NEW LOCAL SALES TAX RATES TAKE EFFECTIVE APRIL 1, 2011

Local sales tax increases placed before voters in 14 cities in last November resulted in tax rate increases in 13 cities effective April 1, 2011 across California. One city with an approved additional tax has a rate that will stay the same due to the sunset of a previous tax rate add-on, while one local area will actually see a rate decrease.

The following rates, also available at <http://www.boe.ca.gov/cgi-bin/rates.cgi>, were enacted by voters in 14 California cities in November 10, 2010:

District Tax Area	County	Old Rate	New Rate
City of San Leandro	Alameda	9.75%	10.00%
City of Union City	Alameda	9.75%	10.25%
City of Concord	Contra Costa	9.25%	9.75%
City of El Cerrito	Contra Costa	9.75%	10.25%
City of Placerville	El Dorado	8.50%	8.75%
City of Eureka	Humboldt	8.50%	9.00%
City of Santa Monica	Los Angeles	9.75%	10.25%
City of South El Monte	Los Angeles	9.75%	10.25%
City of Novato	Marin	9.00%	9.50%
City of Marina	Monterey	8.25%	9.25%
City of Tracy	San Joaquin	8.75%	9.25%
County of Sonoma	Sonoma	9.00%	9.00%
City of Santa Rosa	Sonoma	9.25%	9.50%
City of Wheatland	Yuba	8.25%	8.75%

SMALL BUSINESS ASSISTANCE

FEDERAL MONEY TO ASSIST SMALL BUSINESSES IN CALIFORNIA

Recently, the United State Department of the Treasury approved California's plan to use existing state agencies to issue up to \$1.7 billion in small business loans. Funding for the business loans comes from the State Small Business Credit Initiative, a component of the Small Business Jobs Act signed into law in September 2010 by President Obama.

In California, these funds will be directed to two existing state programs, California Capital Access Program, which helps small businesses with a last step bridging access to a loan; and the California Small Business Loan Guarantee, which enables a small business to obtain a term loan or line of

credit when it cannot otherwise qualify for a loan.

For more information on California Capital Access Program contact (916) 654-5610 or visit www.treasurer.ca.gov/cpcf/cal_cap.asp and for the California Small Business Loan Guarantee Program contact (916) 324-9538 or visit www.bth.ca.gov/aboutus/sblgp.asp

Additional resources for small business are available on Board Member Yee's website, www.boe.ca.gov/members/yee/toolkit_sb.htm. These toolkits provide information and links to a variety of resources to assist small business with starting, operating and growing their businesses.



YEE WEIGHS IN ON KEY LEGISLATION

BOARD MEMBER BETTY T. YEE SUPPORTS TAX FAIRNESS BILL FOR CALIFORNIA RETAILERS

MEASURE WOULD ENFORCE ONLINE RETAILERS' TAX COMPLIANCE

Board Member Yee is sponsoring Senate Bill 234 (Hancock) to update California statutes governing tax collection from out-of-state online sellers to promote uniformity and fair competition between internet businesses and local "brick and mortar" retailers. "This update is essential to ensure state tax rules remain fair, uniform, and competitive by keeping up with changing technology," states Ms. Yee. "Moreover, applying tax rules fairly and evenly maintains essential government services such as schools, public safety, and environmental protection.

SB 234 would require all retailers to collect use tax on sales of merchandise to California residents to the maximum



extent provided for by the United States Constitution. Most states, including California, have a use tax for merchandise purchased out-of-state and shipped or used within the state. Use tax is a companion to the sales tax to ensure out-of-state transactions are treated equally for tax purposes as in-state transactions. California's use tax has been in effect since 1935.

Unlike sales tax, the state may collect use tax directly from retail customers. However, efforts to collect these taxes at the consumer level have proven to be costly and ineffective. In fact, a BOE report released in December 2010 estimated California lost more than \$1.2 billion in revenues that go uncollected from out-of-state sales by online and mail-order retailers. Most of this "tax gap" is the result of retailers failing to collect use taxes on these purchases.

Online retailers experience a competitive advantage when they are able to avoid including tax when their customers "check out" on purchases. In fact, several major online retailers, such as Amazon.com and Overstock.com, have threatened to cut ties with local "affiliates" in order to avoid efforts to require these retailers to collect tax and compete on a "level playing field" with local, in-state retailers.

"I urge Amazon.com and Overstock.com to desist from threatening the local economies of states providing a major marketplace for their sales," said Ms. Yee. "Meanwhile, I support all retailers' right to compete for sales and other business in the California marketplace on an equal basis. As the courts clarify these issues and more states take action, online retailers will have fewer markets they can avoid to evade state tax laws, and all businesses will be protected."

VIEWPOINTS: INTERNET GAMBLING REVENUE PROVIDES NO SIMPLE BUDGET FIX

BY THE HONORABLE BETTY T. YEE. PUBLISHED IN THE SAC BEE SATURDAY, FEB. 12, 2011

In January, Gov. Jerry Brown unveiled a tough, realistic budget proposal to close a \$26.6 billion shortfall without empty promises or gimmicks, relying on deep cuts of \$12.5 billion to state services, closing corporate tax breaks, shifting redevelopment property tax revenue, and new revenue authority for local governments to manage essential public safety responsibilities.

As the Legislature works toward its deadline to put realistic budget solutions before the voters in June, the most significant challenge continues to be to "keep it real" – to enact budget solutions based on realistic assumptions and impacts. The debate needs to avoid quick fixes and one-time solutions that, along with the decline in revenues from the economic downturn, have exacerbated the structural budget deficit.

As Brown rightfully turns Sacramento's attention to fundamental questions of state and local governance and finance, other policymakers will be tempted to push other worthy policy initiatives as panaceas for addressing the current crisis. Few will have a major immediate effect on our state budget.

One is intrastate online gambling. Congressional action in 2006 cracked down on offshore gambling via the Internet arising from technological advances enabling offshore gaming operators to interrupt numerous federal gaming laws, including the rights of Indian tribes under long-standing federal policy. Consistent with federal policy to leave to states the right to authorize certain types of gaming within their borders, this federal action allows California to regulate Internet gaming websites when the activity is

completely contained within our border.

California's innovative technology sector and its broadband infrastructure give state policymakers the opportunity to decide how to regulate these games, including guaranteeing bettors' winnings, protecting their credit card information and ensuring proper taxes are paid. Several proposals have been debated in the Legislature in the last two years, and two new bills were recently introduced. Although poker and other card games are legal in California, their conduct via the Internet raises new issues.

Estimated revenue from in-state online gaming is still the subject of debate. Preliminary Franchise Tax Board figures indicate the state would receive \$20 million from personal income tax on individual bettors' winnings. A more

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recent private analysis suggests taxing receipts from this income and other Internet poker-related economic activity would yield four times as much revenue. Still, others have cited additional potential revenue to the state directly from the gross receipts of gaming providers themselves.

All potential revenue relates to variables that must be examined carefully by the Legislature. Can legitimately regulated gaming providers effectively compete with underground offshore operations? How much does simply legalizing the activity motivate consumers to switch to legitimate providers? Are there potential online gaming consumers who will participate only if the activity is legal? How does California ensure the rights of Indian tribes to conduct slot machines and other games protected pursuant to federal law while regulating tribes' operation of online poker occurring off tribal lands? Will legalizing intrastate online gaming affect existing compacts

with Indian tribes?

Potential revenue for California ultimately depends on the quality of any online gaming regulatory structure: its competitiveness with illegitimate operations, consumer protections and a realistic tax base. Taking the time to do it right and not rush to conclusions solely for a small contribution to the state's budget debate offers the best potential to effectively address these complex policy issues.

California needs a fundamental examination of its state and local finance and revenue structure to end the cycle of chronic budget deficits. Other states, such as Missouri, Pennsylvania and South Carolina have looked to gaming activities as quick fixes for their budget problems. This focus would divert desperately needed attention from the serious assessment of our state's fiscal condition. Meanwhile, taking the time to examine all of the considerations for how to regulate online gaming properly will benefit consumers and the state's treasury in the long run.

ASSEMBLY BILL 1044: REGISTERED WARRANTS

Assembly Bill 1044 (Butler), proposed by Board Member Yee, is intended to assist taxpayers who receive registered warrants, also known as "IOUs," in any future budget crisis. This Board-sponsored bill would codify the BOE's current administrative practice to accept registered warrants as payment for tax and fee liabilities. Current statutes require the Franchise Tax Board to accept payments by registered warrants. However, the law is less clear regarding BOE's acceptance of registered warrants from taxpayers owing tax payments to the State during a budget crisis.

AB 1044 would clarify and codify BOE procedures already in place for taxpayers to pay tax liabilities to the BOE. This clarity in the law would assist taxpayers working to manage their responsibilities during difficult economic times and the State Budget challenges that accompany them.

RECENT BOARD DECISIONS

SALES OF MEDICAL MARIJUANA TAXABLE

The Board reaffirmed that the sale of medical marijuana is not exempt from sales tax as exempt medicine during its February Board hearing. California Revenue and Taxation Code Section 6051 states that sales tax is imposed upon all retailers for the privilege of selling tangible personal property at retail in this state, unless it is specifically exempted by statute. The Board relied on Section 6051 in concluding that there is no specific exemption from sales and use tax for sales or consumption of medical marijuana; therefore, the selling of medical marijuana as tangible personal property is subject to taxation. The Board further affirmed that sellers of marijuana are required to hold a seller's permit and are required to file and pay sales tax. Persons who make sales without a seller's permit generally are subject to an eight-year look-back period for taxes, penalties, and interest.

NEW WINE REGULATION

PROPOSED REGULATION WILL CLARIFY TAXATION OF WINE-BASED PRODUCTS

The Board approved the Alcoholic Beverage Tax Regulation 2558.1 and authorized its publication, beginning the formal rule making process. The next step is a public hearing in front of the Board in May.

The proposed regulation will be effective January 1, 2012, upon approval by the Office of Administrative Law. It will provide clear direction to the wine industry regarding the circumstances under which a wine-based product should be classified as a distilled spirit for state tax purposes. This proposed regulation follows the same approach as the Distilled Spirits Regulations that went into effect October 1, 2008, which the Board adopted primarily to address the proper taxation of Flavored Malt Beverages (FMBs). This additional proposed regulation clarifies the definition of wine, specifying that any wine-based product that contains substantial amounts

of distilled alcohol from sources other than the agricultural product of which the wine is made will be taxed as a distilled spirit, not as a wine.



CENTRALIZED REVENUE OPPORTUNITY SYSTEM (CROS) UPDATE

BOARD APPROVES PURSUING PROCUREMENT DELEGATION AND FEASIBILITY STUDY REPORT (FSR)

At its March Board meeting, the Board approved pursuing legislation for procurement delegation and transmitting a FSR for the CROS project. The procurement delegation would allow BOE rather than the Department of General Services to oversee and conduct the procurement for the project (as the expertise for the business case lies within the BOE), accelerating the procurement process such that the realization of additional tax revenue may occur sooner.

The FSR is used to establish the business case for investment of state resources in the project by setting out the reasons for undertaking the project and analyzing its costs and benefits.

The CROS project will consolidate and modernize BOE's two current systems, expand online business and taxpayer services, and provide an agency wide data warehouse, resulting in a substantial return on investment for California.



WHAT'S NEW AT THE BOE

BOE UPDATES LIST OF CALIFORNIA'S LARGEST SALES TAX DELINQUENCIES

11 NAMES ADDED TO LIST OF TOP 250 FOR FIRST QUARTER 2011

The BOE's list of California's largest unpaid sales and use tax delinquencies has been updated at www.boe.ca.gov. The BOE replaced 11 names on its list of debtors. Those added to the list have delinquencies totaling \$11.4 million in sales tax owed.

Since January 1, 2007, the BOE is mandated by state law to post online a list of the largest 250 tax delinquencies of more than \$100,000 in tax after notifying the debtors that their tax liabilities will be disclosed to the public. The taxpayers identified to be listed are notified 30 days before their information is posted.

For a complete list of the largest sales tax debtors, visit www.boe.ca.gov/cgi-bin/deliq.cgi.

STATEWIDE COMPLIANCE AND OUTREACH PROGRAM (SCOP) EXPANDS TO MORE AREAS

To date the SCOP program teams have visited more than 168,000 businesses statewide. This past quarter letters to more than 9,400 retail businesses in 9 different zip codes statewide notifying them of upcoming visits by BOE specialists. The zip codes receiving letters this March were: Los Angeles (90028, 90029); Lakewood (90712, 90713); Oceanside (92056);

Anaheim (92801, 92802); Santa Barbara (93105); and Rocklin (95677).

The goal of the SCOP program is to verify that all businesses are properly registered, so there is no unfair business advantage over those businesses that are properly registered and reporting their taxes and/or fees.

WHAT HAPPENS DURING A SCOP VISIT?

The BOE specialists conduct checks for seller's permits of all storefronts and other known business locations. When the specialists visit, business owners are asked business-related questions and are NOT asked for personal financial information.

Registered retailers, as well as service industry businesses, are checked by BOE experts for appropriate permits and licenses, this is not an audit. Those businesses found to be out of compliance will be given instructions on how to register with the BOE and given information about other necessary licenses.



YEE IN THE COMMUNITY

SWEARING-IN CEREMONY OF BOARD MEMBER YEE

On January 4th, Board Member Yee took the oath of office in San Francisco to begin her second term as the First District Member on the California State Board of Equalization. Held in the Milton Marks Auditorium of the Hiram W. Johnson State Office Building in San Francisco, Ms. Yee took her oath administered by United States District Court Judge, The Honorable Lucy H. Koh, surrounded by family, friends, and supporters in the packed, standing room only, auditorium.

Mr. Michael Colbruno, an East Bay community leader, presided over the ceremony that included a reflection by Ms. Zhara Billoo, Executive Director of the Council on American-Islamic Relations-San Francisco, followed by a warm and

moving introduction of Ms. Yee by Ms. Selvi Stanislaus, Executive Officer of the California Franchise Tax Board.

Upon taking the oath of office, Ms. Yee reflected, "It is truly a privilege to serve in this office during one of the most challenging times that has ever faced Californians. I take very seriously the trust and confidence the voters in the First District have placed in my service and leadership on the Board. I am honored to continue serving on the California State Board of Equalization to do my part to keep the doors of opportunity open for every woman, man, and child in California to succeed and thrive, as these doors have been open for many generations past."



Swearing-in



Swearing-in



Swearing-in



Swearing-in

DR. MARTIN LUTHER KING, JR. SCHOLARSHIP BREAKFAST

On January 17th, Board Member Yee celebrated the distinguished legacy of Dr. Martin Luther King, Jr. The San Francisco Labor Council hosted the annual breakfast in Dr. King's honor at the West Bay Conference Center in San Francisco. The event was well attended by union members, elected officials, community members, and their families. A special highlight of the event was essay readings by local elementary school students reflecting on the lessons we all may learn from Dr. King's words, acts, and deeds in his service to achieve equality and justice.



SAN FRANCISCO EQUALITY AWARDS

As a member of the Equality California Institute (EQCAI) Board of Directors and lifetime ally of the lesbian, gay, bisexual, and transgender (LGBT) community, Board Member Yee attended the EQCA San Francisco Equality Awards on February 12th at San Francisco City Hall. EQCA works in partnership with California's LGBT Legislative Caucus, and is committed to building a better future for all Californians by protecting youth, strengthening families and empowering communities. Equality Award recipients included California Attorney General Kamala Harris, for the Del Martin and Phyllis Lyon Marriage Equality Award; and Alameda County Superior Court Judge and the nation's first transgender member of the bench, Victoria Kolakowski, for the Equality and Justice Award.





Chinese Medicine Day

CHINESE MEDICINE DAY

March 18th marked the 82nd Annual Chinese Medicine Day. Board Member Yee attended the celebration banquet in San Francisco, and spoke briefly reflecting on the contributions of Chinese medicine practitioners in enhancing US-China relations. "I applaud the commitment of traditional Chinese medical practitioners to offer the highest level of care to their patients," Board Member Yee said. "Their dedication benefits not only the Chinese American community, but all members of the communities that they serve."

LEADERS IN ACTION

On March 1st, Board Member Yee addressed the current class of Executive Fellows as part of their "Leaders in Action" series. The "Leaders in Action" series is comprised of "brown bag" style conversations where political leaders discuss their responsibilities and the current issues with the Fellows.

Board Member Yee discussed potential changes to California's tax system, the uniqueness of the BOE within State government, and her professional journey to her current position.

CESAR CHAVEZ HOLIDAY BREAKFAST

Si se puede! Board Member Yee participated in the annual San Francisco breakfast in honor and memory of Cesar Chavez on March 31st. The event featured local organizations honoring the teachings of Cesar Chavez's non-violent and grassroots approaches to community organizing and a performance by local student musicians playing songs reflecting the struggles of farmworkers.



Cesar Chavez Breakfast

UNIVERSITY OF CALIFORNIA (UC) HASTINGS COLLEGE OF THE LAW LECTURE

Board Member Yee had the distinct honor of serving as a guest lecturer at a UC Hastings College of the Law State and Local Taxation class on March 2nd. She gave an overview of the BOE and her role as an elected Member. Substantive discussions related to current and emerging issues in the income, sales and use, and property taxes areas; highlighting the current debate in California and the nation about nexus, also known as the "Amazon" issue, and states' attempts to impose the tax collection obligation on online retailers; the effect of California's system of taxation on the economy and the State Budget; and

the need for comprehensive tax reform. "Speaking to our state's young people as they prepare for their professional careers is both refreshing and rewarding," said the Board Member, "I am heartened by their thirst for practical knowledge of current issues and their perspectives on meeting some of our current fiscal challenges."



UC Hastings



UC Hastings

CHINESE NEW YEAR - GUNG HAY FAT CHOY!

CELEBRATING THE LUNAR YEAR OF THE RABBIT



The Chinese Lunar New Year 4709, or 2011 in the Western calendar, is the Year of the Metal Rabbit. The Rabbit represents the fourth year in the 12-year cycle of the Chinese zodiac. Attributes of the rabbit are calmness, gentleness, and persistence. Quietly charismatic, thoughtful, and calm, rabbits are admired for their tactful and considerate dealings with all who know them. The year of the Rabbit is traditionally associated with home and family, artistic pursuits, diplomacy, and maintaining peace. Therefore, 2011 will very likely be a relatively calmer year than 2010 both on the global front as well as on a personal level.

YEE FAMILY ASSOCIATION DINNERS

Board Member Yee continued the Chinese New Year festivities with two traditional Chinese banquets hosted by her family associations in San Francisco: the Yee Fung Toy Family Association Spring Banquet on March 20th and the Yee Shew Yan Benevolent Association Spring Gala on March 27th. "It is a true privilege to celebrate the New Year with my nuclear and extended family, as well as with my broader

the Chinese American community," said Board Member Yee, "I am heartened to see this community continue to thrive and grow." A highlight of the Yee Shew Yan Banquet was the recognition of student scholarship recipients, ranging from preschool to middle school students who received funds for studying written and spoken Chinese.



Yee Family Dinners



Yee Family Dinners

CHINESE NEW YEAR PARADE

Capping the official Lunar New Year celebrations, the annual San Francisco Southwest Airlines Chinese New Year Parade took place on February 19th. Named one of the world's top 10 parades, it is the largest celebration of its kind outside of Asia. Over 100 units participated in the parade, with many of the floats and specialty units featured the theme of rabbit. Parade highlights included elaborately decorated floats, school marching bands, martial arts groups, stilt walkers, lion dancers, Chinese acrobats, the newly crowned Miss Chinatown USA, and the 200-foot Golden Dragon. "Gung Hay Fat Choy!" Board Member Yee exclaimed to the crowds from her red convertible, "I am pleased to usher in the Lunar New Year of the Rabbit with the San Francisco community. May this year bless all with good health, happiness, and prosperity."



Chinese New Year Parade

MARCH: REFLECTING ON WOMEN MAKING HISTORY

WOMEN'S HISTORY MONTH



Women's History Month is celebrated in societies around the world to honor the contributions and accomplishments of women. In California, this year marks the 100th anniversary of women gaining the right to vote.

Board Member Yee honored the important contributions of women in California who were featured at several events, including the National Association of Women's Business Owners (NAWBO) Los Angeles Awards Luncheon on March 4th, and the Annual Women's History Month Awards in San Francisco on March 15th.

On March 7th, Ms. Yee was honored as a Woman of Distinction by the Legislative Women's Caucus, during the California Suffrage Centennial Celebration at the

State Capitol. She reminds us, "Celebrating women began right here in our own backyard. In Sonoma county, Women's History Week was first celebrated in 1978 before our nation's eyes to help school principals comply with Title IX regulations by recognizing the contributions of American women to build the foundation for Title IX changes."

On March 11th, Ms. Yee addressed the Eden Valley Chapter of the League of Women Voters (LWV) in San Lorenzo, where she discussed the impacts of the proposed State Budget on local communities and acknowledged the important work of the LWV in engaging and educating the public on current and emerging issues.

WOMEN MARCHING ON

Women Outnumber Men: There were 157.2 million females in the United States as of Oct. 1, 2010. The number of males totaled 153.2 million.

Earnings: Of women age 15 or older who worked year-round and full time, the median annual earnings was \$36,278 in 2009, up 1.9 percent from \$35,609 in 2008 (after adjusting for inflation).

- Of married couples, 20.7 percent were couples in which the wife earned at least \$5,000 more than the husband in 2010.

Educational Attainment: Of women 25 and older, 29.9 million hold a bachelor's degree or higher degrees in 2009, greater than 28.7 million men similarly situated. Women had a larger share of high school diplomas, as well as associate, bachelor's, and master's degrees. However, more men than women had a professional or doctoral degree.

- Of college students in fall 2008, 55 percent were women.

In Business: There were 7.8 million women-owned businesses in 2007. Women owned 29 percent of all nonfarm businesses; 910,761 of these were employer firms. Women were also equal owners with men of another 4.6 million businesses.

- Women-owned businesses accounted for \$1.2 trillion in receipts in 2007. Of these women-owned businesses, 141,893 generated receipts of \$1 million or more.

- Women-owned businesses employed 7.6 million people in 2007. Of these businesses, 7,644 had 100 or more employees, generating \$357.9 billion in gross receipts.

- California was the home to 1 million, or 13 percent of women-owned businesses in 2007, the most of any state. Texas was second with 610,162 or 8.0 percent of all women-owned businesses. New York was third with 594,421, accounting for 7.8 percent of all women-owned businesses.

In the Military: There were 1.5 million military veterans who were women in 2009.

In Athletics: There were 3.1 million girls who participated in high school athletic programs in the 2008-09 school year.

- There were 182,503 women who participated in a National Collegiate Athletic Association sport in 2008-09.

In the Electorate: Women outnumber men in the number of registered and actual voters.

- Women have outnumbered men in voting in every presidential election since 1964.

- Voter registration rates for women are higher than those for men.

The Continuing Black Mark in the Gender Justice Movement: The median annual earnings of women 15 or older who worked year-round and full-time in 2008 were \$35,745, representing 77 cents for every \$1 earned by a man.

GASOLINE CONSUMPTION WATCH

California gasoline and diesel consumption figures released by the BOE for the fourth quarter of 2010 and the month of December show gasoline consumption increased 1 percent in the fourth quarter and decreased 0.4 percent in December compared to a year earlier; and diesel consumption decreased 1.9 percent in the fourth quarter and decreased 5.8 percent in December compared to a year earlier. The BOE monitors gallons through tax receipts paid by fuel distributors. Figures for January 2011 are scheduled to be available at the end of April 2011.

GASOLINE CONSUMPTION

Gasoline consumption increased 1 percent in the fourth quarter of 2010 to 3.69 billion gallons of gasoline, compared to the 3.65 billion gallons of gasoline used in the fourth quarter 2009. The average price of gasoline at the pump in California during the fourth quarter of 2010 was \$3.22, a 7 percent increase over the fourth quarter 2009's average price of \$3.01 per gallon. The national average price of gasoline during the fourth quarter of 2010 was \$2.94, a 10.5 percent increase over the fourth quarter 2009's average price of \$2.66 per gallon.

In December 2010, gasoline consumption decreased 0.4 percent to 1.23 billion gallons of gasoline, compared to 1.24 billion gallons consumed in December 2009. The average price of gasoline at the pump in California in December 2010 was \$3.30 per gallon, an 11.5 percent increase over the \$2.96 price per gallon

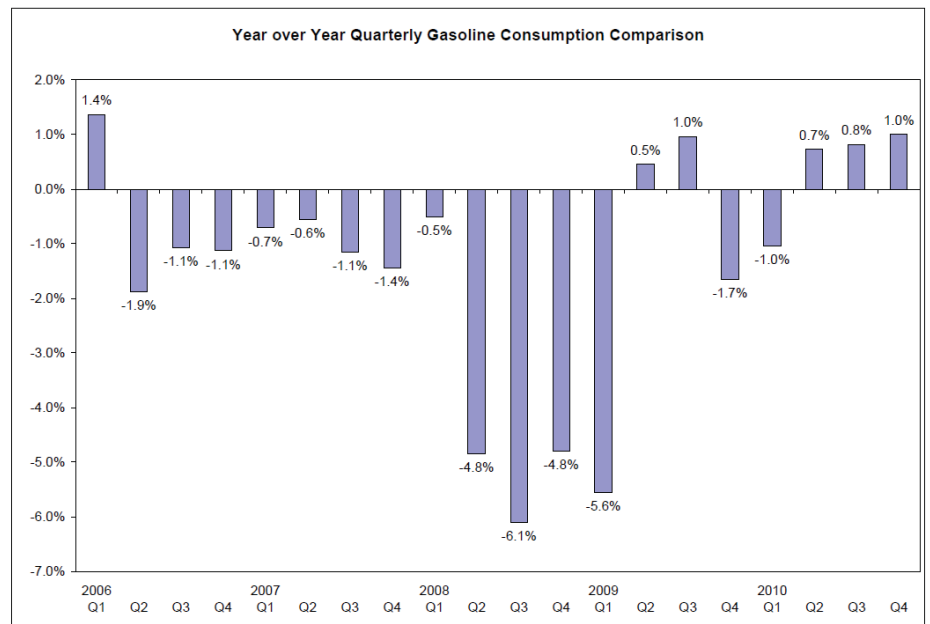
in December 2009. The national average price of gasoline during December 2010 was \$3.05 compared to \$2.66 in December 2009, a 14.7 percent increase.

DIESEL CONSUMPTION

Diesel consumption decreased 1.9 percent in the fourth quarter of 2010 to 642 million gallons of diesel, compared to 654 million gallons of diesel fuel consumed in the fourth quarter of 2009. The average price of diesel fuel in California during the fourth quarter 2010 was \$3.31, a 13.7 percent increase over the \$2.91 price per gallon in the fourth quarter of 2009. The national average price of diesel fuel during

the fourth quarter of 2010 was \$3.15, a 15.0 percent increase over the \$2.74 price per gallon in the fourth quarter of 2009.

Diesel sold in California during December 2010 decreased by 5.8 percent, totaling 218 million gallons compared to the December 2009 total of 232 million gallons. California diesel prices averaged \$3.41 per gallon in December 2010, a 17.2 percent increase over the average price of \$2.91 per gallon the prior December. The national average price of diesel fuel during December 2010 was \$3.24, a 17.8 percent increase over the average price of \$2.75 per gallon in December 2009.



UPCOMING BASIC SALES AND USE TAX CLASSES

THE FOLLOWING OUTREACH AND EDUCATION EVENTS ARE BEING OFFERED FREE OF CHARGE IN THE FIRST EQUALIZATION DISTRICT FROM APRIL 2011 THROUGH JUNE 2011. PLEASE VISIT WWW.BOE.CA.GOV/CGI-BIN/TAX_CLASS.CGI TO OBTAIN DETAILED INFORMATION ABOUT SEMINAR AND CONFERENCE TOPICS, TIMES, AND LOCATIONS.

April 19:

April 20:

April 21:

May 5:

May 11:

May 18:

May 19:

May 19:

June 2:

June 9:

June 23:

Basic Sales and Use Tax Seminar in English (Oakland)

Basic Sales and Use Tax Seminar in English (Santa Rosa)

Basic Sales and Use Tax Seminar in English (Salinas)

Basic Sales and Use Tax Seminar in English (San Francisco)

Basic Sales and Use Tax Seminar in Vietnamese (San Jose)

Basic Sales and Use Tax Seminar in English (Santa Rosa)

Basic Sales and Use Tax Seminar in Chinese (San Francisco)

Basic Sales and Use Tax Seminar in English (San Jose)

Basic Sales and Use Tax Seminar in English (San Francisco)

Basic Sales and Use Tax Seminar in Spanish (Salinas)

Basic Sales and Use Tax Seminar in English (San Jose)